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FM AMEMBASSY CONAKRY
TO SECSTATE WASHDC 4182

UNCLAS CONAKRY 000673

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SUBJECT: WORLD BANK SUSPENDS PROGRAMS IN GUINEA

¶1. On October 21, 2009, ECONOFF met with World Bank Country Manager Siaka Bakayoko to discuss the recent suspension of International Development Association (IDA) programs in Guinea due to non-payment of monies owed on outstanding debt. As of October 15, the GoG owed 3.7 million USD in payment to the World Bank, with a further 9.5 million USD due in November. Since the December 2008 coup, the World Bank has frozen all IDA programs in terms of release of funding. With the GoG now officially in arrears, the status of World Bank programs have changed to "officially suspended." Programs will not continue until the entire debt from September to November is paid - a total of 13.2 million USD. Siaka stressed that after 140 days of non-payment of debt, the GoG will be held in "non-accrual", with the possibility of complete termination of all IDA programs to follow.

¶2. Siaka stated that the GoG paid a lump sum in early September in an effort to complete all debts owed from July through September 15, but almost 137,000 USD remained unpaid. The World Bank attached this amount to the balance due September 15. On October 15, the amount due was 3.5 million USD. This was added to the debt from September 15, which the World Bank considers as the first day of debt non-payment. As of October 21, the GoG was 36 days past due on monies owed. Siaka informed both the Ministry of Finance and the Central Bank of Guinea of the overdue payment, but was told that Guinea did "not have enough foreign reserves" to make the payment.

¶3. Siaka stressed that this is the first time in over two years that the GoG has missed payments on World Bank programs, although the GoG has generally waited until the eleventh hour to make its payments. Since the December 2008 coup, Siaka's relationship with the Ministry of Finance deteriorated to the point that he has since ceased all dealings with them. According to Siaka, the newly appointed Minister of Finance defers to the CNDD to run all economic affairs for the Ministry. (COMMENT. The Minister is a military officer close to the CNDD. END COMMENT).

¶4. In June 2009, the World Bank estimated that Guinea's foreign reserves would fall to around 6 million USD by December 2009. However, Siaka said that this estimate did not take into account the flurry of spending out of the private account at the Central Bank set aside for CNDD President Moussa Dadis Camara. Dadis reportedly uses these funds to circumvent the national budget and spend state funds as he deems fit. Siaka mentioned the large amount of funds spent on such things as military vehicles and extravagant travel by government officials as proof that these funds are being abused. The actual amount of foreign reserves in Guinea's possession is unknown.

¶5. If the World Bank ceases operations in Guinea, Siaka expects two consequences. The first would be significant unemployment resulting from program layoffs, which would subsequently negatively affect an extensive network of families throughout Guinea's interior. The second would be the unknown reaction of independent contractors and suppliers upon not being paid. Since no formal channel of grievance claims exists in Guinea, the practice of "taking hostage" people or goods in lieu of payment for ransom or profit may result.

¶6. Until the December 2008 coup, Guinea was making good progress according to World Bank estimates. By April 2009, Guinea would have been eligible for the Heavily Indebted Poor Countries Initiative (HIPC) of the IDA, erasing 2 billion of the total 3 billion USD owed by Guinea. However, since the coup, the Central Bank funds have been mismanaged by the CNDD. In addition, competent officials in the Ministry of Finance have been marginalized by ill-equipped and pro-CNDD members. The lack of a coherent and clear budget for Guinea has resulted in the current suspension of World Bank programs, with more extensive effects still to be seen.

